



COMMITTEE ON THE BUDGET

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THE SPENDING CONTROL ACT OF 2004

MANAGER'S AMENDMENT

Controls Spending – This bill focuses on the fundamental budget problem: spending. It reinforces disciplines in the Budget Act by restoring spending controls with the force of law, and the backing of automatic spending cuts if the controls are breached.

- *Spending Caps* - The measure reestablishes, for two years, the caps on discretionary (annually appropriated) spending, consistent with the levels in the budget resolution.
- *PAYGO for Spending* - It also extends for five years the pay-as-you-go [PAYGO] requirements for mandatory spending only. This requires that bills increasing entitlement spending must be offset by reductions in other spending. They may not be financed by raising taxes.

Prevents Excessive Spending – Any breach of either of these spending disciplines results in automatic spending cuts – known as “sequesters.”

Permits Legitimate Emergency Spending – Consistent with the fiscal year 2005 budget resolution and administration policy, the bill permits legitimate emergency spending – but writes into law the definition of an emergency as an unanticipated and temporary event requiring funding for the preservation of life, property, or national security. The bill also requires that future spending projections will no longer assume that one-time “emergency” spending continues in future years.

Limits Advance Appropriations – The bill limits the amount of “advance appropriations” – spending authority provided for a year after the budget year – and the programs for which advances may be used. These provisions, too, are consistent with administration policy and recent budget resolutions.

Changes From the Reported Bill – The manager’s amendment includes the following changes from the bill as reported by the Budget Committee:

- The Manager’s Amendment only extends the discretionary spending limits for two years, replacing the five-year extension in the committee-reported bill.
- The Manager’s Amendment also provides spending levels for those two years, amounts that reflect the recently House-adopted budget resolution. Because the budget resolution had not been adopted at that time, the committee-reported bill did not include specific cap levels.
- The Manager’s Amendment additionally adds the separate transportation spending levels, consistent with the fiscal year 2005 budget resolution and the House-passed transportation bill.